

Hearing Date: December 15, 2010 at 10:00 a.m.

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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re:	:	Chapter 11 Case No.
	:	
LEHMAN BROTHERS HOLDINGS INC., <u>et al.</u> ,	:	08-13555 (JMP)
	:	
Debtors.	:	(Jointly Administered)
	:	
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**STATEMENT OF OFFICIAL COMMITTEE OF UNSECURED CREDITORS  
IN SUPPORT OF THE DEBTORS' MOTION PURSUANT TO SECTIONS 105(a), 363  
AND 365 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 9019 FOR  
APPROVAL OF SETTLEMENT AGREEMENT BETWEEN LB SOMERSET LLC, LB  
PREFERRED SOMERSET LLC, KBIA SOMERSET INVESTMENTS, LLC, KBIA  
PREFERRED, LLC, FALLS OF NEUSE INVESTMENTS, LLC, SOMERSET  
PROPERTIES SPE, LLC, SOMERSET ASSOCIATES, LLC, AND KEVIN WILK**

The Official Committee of Unsecured Creditors (the "Committee") appointed in the chapter 11 cases of Lehman Brothers Holdings Inc. ("LBHI") and each of its affiliated debtors in possession (collectively, the "Debtors") hereby files this statement in support of the Debtors' Motion Pursuant to Sections 105(a), 363 and 365 of the Bankruptcy Code and Bankruptcy Rule 9019 for Approval of Settlement Agreement Between LB Somerset LLC, LB Preferred Somerset LLC, KBIA Somerset Investments, LLC, KBIA Preferred, LLC, Falls of Neuse Investments, LLC, Somerset Properties SPE, LLC, Somerset Associates, LLC, and Kevin

Wilk [Docket No. 12439] (the “Motion”). In support of the Motion, the Committee respectfully states as follows:

**STATEMENT**

1. The Committee supports approval of the Settlement Agreement<sup>1</sup> because, under its terms, the Lehman Somerset Debtors will be authorized to (i) sell their respective interests in Somerset Associates to the Somerset Assignees, free and clear of liens and claims, for a price that is reasonable under the circumstances; (ii) mitigate their losses with respect to the Properties; (iii) cut off further liability with respect to the Somerset Associates; and (iv) ensure some recovery for their estates with respect to their investment in the Properties.

2. When initially presented with the Settlement Agreement, the Committee expressed concerns about certain of its terms, and, in particular, a concern that the \$150,000 sale price for the Debtors’ investment in the Lehman Somerset Debtors might not reflect the full value of the underlying assets. In a vacuum, the fundamentals of the relevant market and valuation scenarios prepared by the Committee’s advisors suggested a higher price might be appropriate. However, after the Committee’s financial advisors had the opportunity to consult with the Debtors’ advisors and to engage in a more rigorous analysis of the value of the Properties, they ultimately concurred in the Debtors’ view that the likelihood of a measurable recovery on the Debtors’ investment in Somerset Associates was at most marginal.

3. The key factor in this analysis was not any attribute of the underlying assets or the fundamentals of the relevant market, but rather the fallout caused by the long-running litigation between Lehman and its joint venture partner. Even if one were to assume that Lehman’s interest might, in the absence of such circumstances, have some value (in all events

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<sup>1</sup> Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

less than \$3 million), when one takes into account (i) the costs already incurred and to be incurred in connection with the Delaware Litigation and LNR's foreclosure proceeding; (ii) the debilitating effects of the ongoing litigation on leasing prospects for the Properties; (iii) the \$4.5 million in additional funds that would need to be invested by the Debtors to remedy these and other issues; and (iv) the additional complications created by Somerset SPE's recent chapter 11 filing in the United States Bankruptcy Court for the Eastern District of North Carolina, it becomes abundantly clear that such equity value would be quickly consumed. Thus, the Committee agrees with the Debtors that (i) \$150,000 is a fair price for the Lehman Somerset Debtors' interests in Somerset Associates; and (ii) the other terms of the Settlement Agreement are fair, reasonable and reflect a sound exercise of the Debtors' business judgment.

WHEREFORE, for the foregoing reasons, the Committee respectfully requests that the Court grant (i) the relief requested in the Motion; and (ii) such other relief as is just.

Dated: New York, New York  
December 13, 2010

**MILBANK, TWEED, HADLEY & M<sup>C</sup>CLOY LLP**

By: /s/ Dennis F. Dunne

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